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8 November 1974

MEMORANDUM FOR: Mr. James Eighmie  
INR/RMA/EE  
Department of State

SUBJECT : Saudi Arabian Balance of Payments

Attached are the most recent figures on the Saudi Arabian balance of payments per your request. A text describing the components of major payments categories is included. Should you have further questions, please call.

Chief  
Near East/Africa Branch  
Developing Nations Division  
Office of Economic Research

Attachments:

1. Table
2. Text

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## Attachment 1.

## Saudi Arabia: Balance of Payments

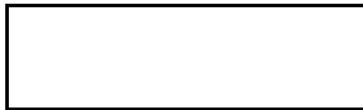
	Million US \$		
	1971	1972	1973
<b>A. Receipts</b>			
1. Exports (f.o.b.)	3,611	5,250	9,020
2. Oil royalties (neutral zone)	79	101	121
3. Pilgrimage	112	156	245
4. Miscellaneous	106	161	303
<b>Total receipts</b>	<b>3,918</b>	<b>5,668</b>	<b>9,690</b>
<b>B. Payments</b>			
1. Imports, c.i.f.	939	1,397	1,987
2. Non-monetary gold	9	15	14
3. Investment income payments	1,433	2,050	3,334
4. Government expenditures, n.i.e.	274	299	806
5. Travel and Transportation, n.i.e.	144	179	284
6. Tapline expenditures abroad	47	47	49
7. Other services	177	275	522
<b>Total payments</b>	<b>3,023</b>	<b>4,262</b>	<b>6,995</b>
<b>Current Account Balance</b>	<b>+895</b>	<b>+1,406</b>	<b>+2,695</b>
<b>Capital and Financing Account</b>			
1. Direct investment liability (- increase, + decrease)	-109	-359	-59
2. Other foreign capital (- inflow, + outflow)	+138	+253	+1,074
3. Gold, foreign exchange holdings and investment of SAMA	+794	+1,322	+1,632
4. Commercial banks' net foreign position	+23	+179	+34
<b>Errors and Omissions</b>	<b>+49</b>	<b>+11</b>	<b>+15</b>

NOTE: The above figures are official SAMA statistics. 1971 and 1972 figures are converted at 1 Saudi Riyal = \$0.24; 1973 at 1 Saudi Riyal = \$0.27.

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Attachment 2.

Saudi Arabian Balance of Payments

Saudi Arabia's external payments position is overwhelmingly determined by developments in the current account. The capital account usually is dominated by Aramco investment programs, reflected in the "Direct Investment" category, while "Other Capital" consists primarily of medium term suppliers' credits. As the 1975-1980 development plan gets underway and foreign participation in new Saudi industries accelerates, the capital account will become more significant.

The overall payments result represents the balance between the net surplus of the oil sector -- accruing predominantly to the public sector -- and the net deficit of the non-oil sector -- originating mainly in the private sector. Oil revenues are injected into the domestic income stream through the government's domestic expenditures. Given the limited supply of domestically produced goods and services, as well as the fact that Saudi Arabia has an open economy, a substantial amount of private income gets translated quickly into demand for foreign goods and services.



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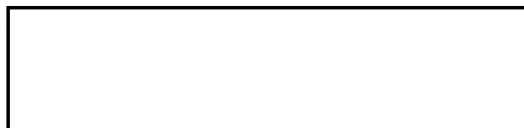


Oil revenues dominate current account receipts. Non-oil exports probably do not exceed \$10 million a year. Income from pilgrims to the holy Moslem shrines, while increasing rapidly, remains a minor receipt. Earnings of the Saudi Arabian Monetary Agency (SAMA) from its deposits and investments abroad account for over 90% of the "Miscellaneous" category, with expenditures of foreign missions in Saudi Arabia the only other significant item.

Because Aramco is considered a Saudi company, export figures include not only Saudi oil revenue from Aramco, but also Aramco's share. The "Investment Income Payments" category is almost entirely Aramco remittances abroad. When exports plus oil royalties from companies other than Aramco are netted of investment income payments, the remainder is a good approximation of government oil revenues.

Import figures are assumed to include military goods and are calculated indirectly by SAMA using the IMF partner-country data book. SAMA takes exports of other countries to Saudi Arabia and adds 10% to cover the difference between f.o.b. and c.i.f. Although this is an inexact method, SAMA authorities have found it

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to be the only feasible way of determining imports for balance of payments estimates.

"Government Expenditures Abroad" is an important balance of payments category, dominated by foreign aid, but including many other items:

1. Khartoum aid.
2. Arms purchases for others, such as Jordan in 1970.
3. All other government foreign exchange expenditures except for imports and transportation services.
4. Contractual services furnished by foreign firms.
5. Principal and interest on deferred payments arrangements connected with various defense related programs.
6. Cost of education abroad by Saudi students.
7. Expenditures of Saudi embassies.
8. Government grants or contributions to international organizations and Moslem religious societies.
9. Unpublicized Saudi aid.
10. Foreign exchange expenditures for services performed by foreign firms for government sponsored projects (civilian and military).

"Other Services" consist almost entirely of remittances abroad by private individuals, mainly foreign workers. Transfers abroad of private Saudi capital, private contributions -- that may include sums we have pegged as aid --, and miscellaneous service payments make up the remainder.

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